

Message Text

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ACTION NEA-10

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DEPT PLEASE PASS TO USBURMINES, DOE, USGS

E.O. 11652: N/A
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SUBJECT: POSSIBLE RISE IN INDIA'S CRUDE IMPORTS

REF: NEW DELHI 2682

1. ANTICIPATING FURTHER RISE IN INTERNATIONAL CRUDE PRICES IN THE YEARS AHEAD, GOI PLANNING COMMISSION HAS RECOMMENDED PETROLEUM CONSERVATION MEASURES IN THE DRAFT FIVE YEAR PLAN FOR 1978-83. IF ADOPTED, THE PROSPECTS FOR HIGHER CRUDE IMPORTS ARE LIKELY BY 1982-83 DESPITE THE PROMISING OUTLOOK FOR INCREASED OFFSHORE PRODUCTION.

2. THE DRAFT PLAN SUGGESTS OFFSHORE PRODUCTION BE HELD AT LEVEL OF AROUND 9 MILLION METRIC TONS (MT) PER ANNUM. (THE OIL AND NATURAL GAS COMMISSION'S (ONGC) OFFSHORE PRODUCTION TARGET IS 12 TO 13 MILLION MT PER ANNUM BY 1982-83 FROM BOMBAY HIGH (BH) AND BASSEIN FIELDS
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AND POSSIBLY OTHER OFFSHORE STRUCTURES). WITH ANOTHER NINE MILLION MT EXPECTED FROM ONSHORE FIELDS, TOTAL DOMESTIC CRUDE PRODUCTION WOULD AMOUNT TO 18 MILLION MT BY 1982-83 MEETING ROUGHLY 50 PERCENT OF THE COUNTRYS REQUIREMENTS AT THAT TIME. ALLOWING FOR SEVEN PERCENT REFINERY LOSS, ABOUT THREE MILLION MT OF REFINED PRODUCT IMPORTS WOULD ALSO BE CALLED FOR TO MEET TOTAL PRODUCT REQUIREMENTS ESTIMATED

AT 36 MILLION MT BY END OF THE 1978-83 PLAN PERIOD, IN ADDITION TO 18 MILLION MT OF CRUDE IMPORTS. THIS WOULD REPRESENT AN ANNUAL GROWTH RATE IN PETROLEUM CONSUMPTION OF 7.3 PERCENT DURING THE PLAN PERIOD.

3. IN MEANTIME DETAILED SEISMIC SURVEYS AND OIL EXPLORATION ARE TO BE STEPPED UP IN THE OFFSHORE AREAS AND TO LIMITED EXTENT ONSHORE. MAJOR AREAS PLANNED FOR OFFSHORE EXPLORATION INCLUDE KERALA COAST, ANDAMAN AND NICOBAR ISLANDS, AND CAUVERY AND MAHANADI BASINS. SEISMIC SURVEY OF MAHANADI IS NOW IN PROGRESS AND ONGC HAS RECENTLY SPUDDED ITS FIRST WELL OFF KERALA COAST. REGARDING ONSHORE EXPLORATION GOI HAS ADOPTED CAUTIOUS ATTITUDE IN VIEW OF THE HIGH COST" RISK FACTOR. MAIN FOCUS OF THIS EFFORT WILL REMAIN IN THE PROVEN AREAS OF ASSAM AND GUJARAT.

4. ACCORDING TO DRAFT PLAN, RS. 25.8 BILLION (DOLS 3 BILLION) HAS BEEN EARMARKED FOR PETROLEUM SECTOR OVER NEXT FIVE-YEAR PERIOD. OF THIS AMOUNT ONGC IS TO RECEIVE RS. 18 BILLION (DOLS 2.1 BILLION) INCLUDING RS. 12 BILLION (DOLS 1.4 BILLION) FOR OFFSHORE WHERE TWO-THIRDS OF THE TOTAL OIL RESERVES ARE REPORTED TO EXIST AND RS. 6 BILLION (DOLS 700 MILLION) FOR ONSHORE EXPLORATION AND DEVELOPMENT.

5. COMMENT: IN VIEW OF INDIA'S PRESENT OIL RESERVES, FAVORABLE UNCLASSIFIED

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FOREIGN EXCHANGE RESERVES (PRESENTLY ESTIMATED AT OVER DOLS 5.5 BILLION) AND THE LONG TERM OUTLOOK FOR HIGHER INTERNATIONAL CRUDE PRICES, GOI MAY ADOPT A MORE CAUTIOUS ATTITUDE TO DEVELOPMENT OF ITS OFFSHORE OIL. HOWEVER, SINCE OFFSHORE ANNUAL PRODUCTION OF NINE MILLION MT IS NOT EXPECTED TO BE REACHED MUST BEFORE END OF THE PRESENT PLAN PERIOD, ANY FIRM DECISION CONCERNING CONSERVATION BY GOI BEFORE THEN WOULD APPEAR TO BE PREMATURE IN LIGHT OF POTENTIAL NEW OIL STRIKES, HEAVY FINANCIAL INVESTMENTS ALREADY COMMITTED TO BH AND BASSEIN OILFIELDS AND LONG-TERM IMPACT OF OTHER ENERGY CONSERVATION MEASURES BY GOI NOW IN PIPELINE. PROJECTED INCREASES IN PETROLEUM CONSUMPTION OVER PLAN PERIOD SEEMS HIGH, BUT APPEARS CONSISTENT WITH PLANNING COMMISSION'S PROJECTED INDUSTRIAL GROWTH RATE OF ALMOST SEVEN PERCENT PER ANNUM DURING 1978-83. THE PETROLEUM OUTLOOK FOR 1978 REMAINS UNCHANGED (REF TEL) WITH DOMESTIC CRUDE PRODUCTION PROJECTED TO BE AROUND 13 MILLION MT AND IMPORTS BETWEEN 14.5-15.0 MILLION MT.
GOHEEN

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